



Washington State Ferries

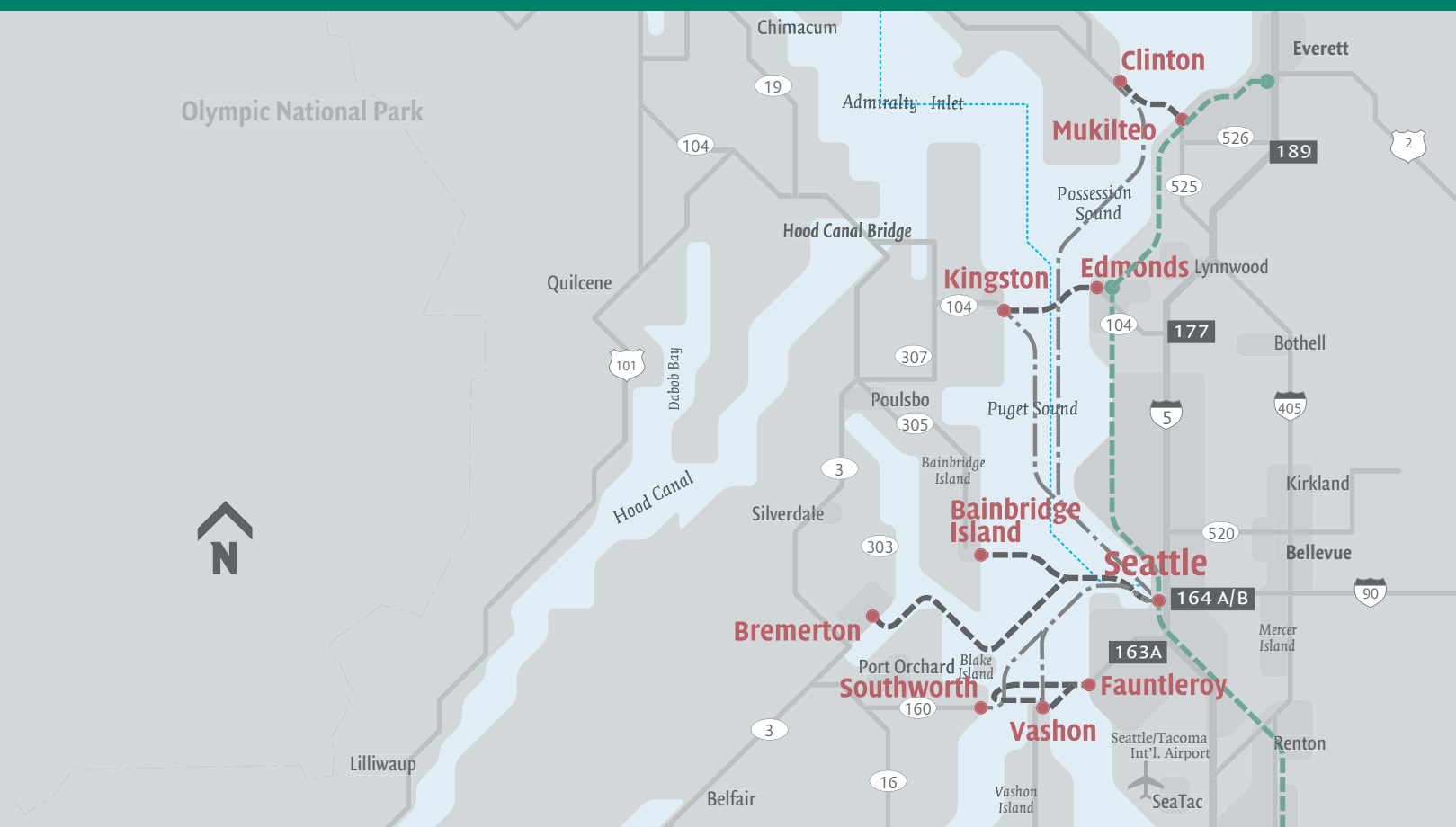
EXECUTIVE SUMMARY

Ten-Year Passenger Strategy for Washington's Multimodal Ferry Transportation System

January 2005



Washington State
Department of Transportation



About Washington State Ferries...

Formed in 1951, WSF is the largest ferry transit system in the U.S.

WSF serves about 24 million passenger and vehicle trips per year;

Operates 10 ferry routes and runs nearly 500 sailings per day;

Provides service to eight Washington State counties and the province of British Columbia;

Operates and maintains 20 terminals from Point Defiance to Sidney, B.C.;

Provides priority loading for freight, bicycles, vanpool, carpools; and

Safely operated about 175,000 sailings last year.



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WASHINGTON STATE FERRIES VISION AND TEN-YEAR PASSENGER STRATEGY FOR WASHINGTON'S MULTIMODAL FERRY TRANSPORTATION SYSTEM

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Introduction: Background and Study Context

Background. The 2004 Legislature enacted a proviso [ESHB 2474, Section 506] focused on the creation of a coordinated, integrated marine and landside multimodal transportation system to connect the state's people, jobs and communities. The proviso calls for a long-range plan and supporting strategy to provide "policy guidance to define and maximize efficient delivery of quality marine transportation service to the traveling public." The strategy should identify "the most appropriate means of moving foot passengers across central Puget Sound," using Washington State Ferries (WSF) vessels, alternative operators, or a hybrid combination of both, in the short and longer-term.

Study Context: Passenger-Vehicle Boats Provide Significant Passenger Ferry Service. A starting point for assessing passenger-only ferry (POF) options for the Puget Sound is an understanding of the role that WSF's passenger-vehicle boats play in the region's multimodal transportation system. WSF is the nation's largest ferry system, providing 24 million passenger trips per year with a fleet of 28 boats. About 50% of these trips are commute-related: WSF is also the state's second largest provider of daily transit service.

Table ES-1 presents a summary of total passenger walk-on trips provided by WSF on the Central Puget Sound routes in calendar year 2004. As the Table shows, in 2004 WSF carried more than 5.73 million foot passengers, of which about 194,000 or 3.4%, were transported on the Seattle-Vashon POF route. The balance, 5.54 million or 96.6% of total Puget Sound riders, traveled on WSF's passenger-vehicle ferries.

Table ES-1
2004 Central Puget Sound Walk-on
Passenger Ridership, by Route

	Calendar Year 2004	Percent of Total
Seattle-Bainbridge	2,631,510	45.9%
Seattle-Bremerton	1,198,066	20.9%
Edmonds-Kingston	611,734	10.7%
Mukilteo-Clinton	528,584	9.2%
Fauntleroy-Vashon	349,353	6.1%
Seattle-Vashon POF	193,741	3.4%
Fauntleroy-Southworth	169,850	3.0%
Vashon-Southworth	48,486	0.8%
Total	5,731,324	100.0%

Source: Washington State Ferries, Berk & Associates, 2004

Passenger-Only Ferry Route Assessments

Seattle-Clinton. Low demand for POF service and a relatively long trip length from Clinton to Seattle means that this route would not be viable under any operating model studied. The Mukilteo-Clinton route has ample capacity to serve passenger demand: by 2015 the route will be operating at 47% capacity, with about 5,000 passenger spaces available in the 4-hour P.M. peak. Multimodal transportation choices for Clinton riders are also available through the Sounder commuter rail service, with direct connections from the Mukilteo Multimodal terminal to downtown Seattle.

Seattle-Kingston. In 2010 WSF riders choosing the Seattle-Kingston POF route will be drawn 68% from the Seattle-Bainbridge route, and 32% from Edmonds-Kingston. By 2015, this trend will have accelerated: 70% of the riders switching from WSF routes would be drawn from Seattle-Bainbridge and 30% from Edmonds-Kingston. In addition, it is expected that the introduction of a new route will generate new induced trips. Based on WSF's history the number of induced trips is estimated to account for an additional 20% of ridership.

There will be considerable walk-on passenger capacity on these routes available in the 4-hour P.M. peak in 2015: Seattle-Bainbridge will be at 73% of passenger capacity and Edmonds-Kingston will be at 27% of capacity. However by 2015, at the "peak of the peak" period there will be at least one sailing on the Seattle-Bainbridge route that exceeds available passenger capacity. The Transportation Commission's adopted level of service goal calls for accommodating all pedestrians on each sailing — zero boat wait. If the route's capacity on a peak-hour sailing is reached by 2015, riders will have the option of waiting for the next boat, since there is capacity within the 4-hour peak period, or taking an alternative WSF route — Edmonds-Kingston with a Sounder connection or a Seattle-Bremerton sailing. A successful public-private Seattle-Kingston POF service would provide riders with another choice, one which could mitigate any potential overloaded sailings on the Seattle-Bainbridge route.

In January 2005 a private operator began providing Seattle-Kingston POF service through a Joint Development Agreement with Kitsap Transit. Kitsap Transit and the private operator have worked hard to plan for this service, and this effort — which was encouraged by the Legislature through ESHB 1853 — should be respected. However, given the ridership diversion from WSF's existing passenger-vehicle ferry routes, the substantial passenger capacity available on those routes, and the regional investments in multimodal transportation linkages connecting the Edmonds-Kingston corridor to downtown Seattle, it would not be in the State's interest to financially support the public-private Kingston POF service.

Seattle-Vashon. This POF service already exists and provides some relief to congested conditions at the Fauntleroy terminal, where it is difficult to stage bus service and there is no overhead loading to separate pedestrians from vehicles. This terminal limitation at Fauntleroy prevents taking full advantage of the passenger-vehicle ferries' people-moving capabilities. In addition to providing service to the Vashon market, the route provides service to riders from Southworth. In 2003 46% of demand for the route was from transfers from Southworth-Vashon; by 2015, assuming that the route continues to serve the Southworth market, these riders will comprise 64% of ridership demand. Passenger capacity analysis shows that by 2010 the route will be at 109% of capacity for the 4-hour P.M. peak period, driven primarily by growth in the South Kitsap market. This over-capacity situation will worsen by 2015, when the route will be at 118% of capacity. Thus continuing to effectively serve this route is likely to require change from the status quo.

If the Seattle-Southworth market were to be served directly, by 2015 two-thirds of the ridership on the Seattle-Vashon route would likely choose that direct service. This would result in a smaller market for Seattle-Vashon POF service, and one with limited growth potential.

Seattle-Southworth. This market is currently served, with many Southworth residents traveling to Vashon and then riding the Seattle-Vashon POF. The analysis shows that there is available P.M. peak passenger capacity on the Fauntleroy-Southworth route; by 2015 passenger capacity will be 56%.

A key strategic question facing WSF is how to best meet demand in the South Sound market. A longer-term solution to this challenge would be for WSF to provide direct passenger-vehicle service

from Southworth to Seattle; this option is being studied by WSF in 2005 as part of the agency's Long Range Strategic Plan. This direct connection would relieve vehicle pressure on the constrained Fauntleroy terminal. If this option becomes the preferred long-term strategy for the corridor, providing Seattle-Southworth POF service in the near term could help build this market, easing the eventual transition to direct Seattle-Southworth passenger-vehicle service while diverting some vehicle traffic from Fauntleroy.

A new direct Seattle-Southworth passenger-vehicle route will require significant improvements at Seattle's Colman Dock. WSF is currently involved in a comprehensive master planning and environmental review process for Colman Dock, in a collaborative effort with the City of Seattle. The City is keenly interested in planning projects that affect Colman Dock, and is an active participant in WSF's Long-Range Planning process. Seattle's interests in Colman Dock planning include fitting the facility into the City's overall waterfront planning process, a multi-year urban design project.

Seattle-Vashon-Southworth POF Triangle Service. An opportunity exists for WSF to provide improved service to the Vashon and Southworth markets by modifying the current POF service. These markets are already served by WSF, albeit in a suboptimal and inconvenient manner. Rather than splitting these markets and operating two direct routes, a South Sound POF Triangle Route could be implemented, connecting Vashon, Southworth and Seattle. This strategy takes advantage of the physical proximity of the two ports (an eight minute crossing time) and provides a relatively low-cost and efficient means of maintaining service to two existing WSF markets.

This route option would provide a number of benefits, such as:

- Address the need to recapitalize the fleet operating on the Seattle-Vashon POF route (the Skagit and Kalama). These vessels are nearing the end of their useful lives and must be replaced if service is to continue.
- Provide improved service to the Southworth market by not requiring passengers to transfer at Vashon.
- Combine the relatively high ridership demand potential from Southworth with lower ridership demand originating in Vashon, allowing for more efficient continuation of service at Vashon.
- Build the market for a potential direct Seattle-Southworth passenger-vehicle service in the future.

WSF Options to Serve the South Sound POF Market

Comparative POF Scenarios Assuming WSF Operations. Three scenarios are possible for WSF to serve its South Sound markets; these are summarized in Table ES-2, which presents a comparison of service characteristics, capital investment requirements, ridership and operating revenues and costs for the 2005-07 and 2007-09 biennia. Due to the peak nature of the demand on these routes, the analysis is predicated on a change in WSF labor agreements to allow split shifts. This will provide the most cost-effective service on a route structure with an almost exclusively commuter orientation. Another important assumption is the higher fare assumed (an increase of \$1.00 for a round trip) in the scenarios where service is expanded. Key findings for the three scenarios are:

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1. **Continue Seattle-Vashon Service.** Maintaining current Seattle-Vashon service to meet demand from both Vashon and Southworth markets could be accomplished by deploying the Chinook and Snohomish to replace the Skagit and Kalama. Capital costs to restart the vessels and improve the Vashon terminal are \$2.0 million. With estimated ridership of 246,000, the route will operate at a loss of approximately \$1.9 million in the 2007-09 biennium. This would continue a suboptimal service pattern for Southworth riders.
2. **Continue Seattle-Vashon Service and Add Direct Seattle-Southworth Service.** Adding direct Seattle-Southworth POF service in addition to WSF's Seattle-Vashon service and running service in an effective manner will involve replacing the Skagit and Kalama with a 149-passenger vessel, and purchasing two 250-passenger boats, one to serve Seattle-Southworth and one as a back-up for both routes. Net capital costs, including terminal improvements, sale of the Chinook and Snohomish and purchase of smaller, more appropriately sized vessels are estimated at \$17.1 million. With an estimated ridership of 349,000, the route will operate at a loss of \$2.2 million for the biennium.
3. **Serve the Vashon and Southworth Markets through a POF Triangle Service.** A South Sound POF Triangle service will require \$3 million in capital costs: \$1.2 million to redeploy the Chinook and Snohomish and \$1.8 million in terminal costs. With estimated ridership of 333,500, the route will operate at a biennial loss of about \$900,000.

The POF Triangle service option provides the most cost-effective WSF operating solution for the South Sound over the next ten years. It represents a substantial improvement over existing Seattle-Vashon service since it would provide a direct connection to Southworth without an increase in operating costs and with similar capital costs to a recapitalized Seattle-Vashon option. Because of the Southworth connection, the Triangle service is estimated to attract approximately 90,000 more trips than the Seattle-Vashon scenario. This additional ridership results in higher farebox revenues, higher cost recovery rates and lower subsidy requirements.

Providing separate service to Vashon and Southworth would result in only a modest increase in ridership over the Triangle configuration. This increase in ridership is offset by higher operating costs, higher subsidy requirements and a lower cost recovery rate. Capital requirements are an important factor too: by sizing the route to effectively use the Chinook and Snohomish, vessel requirements are significantly lower with the Triangle option than with a separate Seattle-Southworth route.

Table ES-2
Comparison of WSF South Sound POF Scenarios
(Assuming Split Shifts and 2004 Dollars)

	Maintain Current Seattle-Vashon Service to Meet Demand	Add WSF Seattle-Southworth POF Service and Modify Seattle-Vashon POF Service	Implement South Sound POF Triangle Service
Service Characteristics			
Operations	One 8-hour split shift	One 8-hour split shift	One 8-hour split shift
Vessels in service	One 350-passenger vessel	Southworth: one 250-pax Vashon: one 149-pax	One 350-passenger vessel
WSF Capital Investment in 2005-7 Biennium			
Description	Replace Skagit, Kalama by deploying the Snohomish and Chinook; improve Vashon terminal	Replace Skagit, Kalama with one 149-pax vessel; purchase 250-pax vessel for Southworth-Seattle; purchase another 250-pax as backup for Vashon and Southworth routes; improve Southworth terminal	Deploy Snohomish, Chinook; improve Southworth and Vashon terminals
Capital to restart vessels	(\$1,200,000)	-	(\$1,200,000)
Capital to purchase new vessels	-	(\$23,000,000)	-
Net proceeds from sale of POFF	-	\$6,920,000	-
Capital to improve terminals	(\$800,000)	(\$1,000,000)	(\$1,800,000)
Total capital required	(\$2,000,000)	(\$17,080,000)	(\$3,000,000)
WSF Finances for 2007-9 Biennium			
Ridership			
Total annual ridership	246,000	349,000	333,500
Number of 4-hour peak sailings	2	2	2
WSF Operating Finances for Biennium			
One-way fare (commuter rate)	\$3.28	\$3.80	\$3.80
Fare revenue	\$1,614,000	\$2,653,000	\$2,536,000
Operating costs	(\$3,525,000)	(\$4,829,000)	(\$3,525,000)
WSF operating surplus/(shortfall)	(\$1,911,000)	(\$2,176,000)	(\$989,000)
Farebox recovery rate	46%	55%	72%
Surplus/(subsidy) per passenger	(\$7.77)	(\$6.23)	(\$2.97)
Assumptions			
<ul style="list-style-type: none"> - Figures are in 2004 dollars - Net proceeds from sale of Chinook and Snohomish are based on an assumed \$4M per vessel purchase price less sales costs assumed to be 10% and \$1M in capital costs to prepare for sale. - Estimates for current service configuration assume continuation of current fares. Fares for expanded/enhanced service are assumed to be \$1.00 more per round trip. 			

Source: Washington State Ferries, Berk & Associates, 2004

Funding and Implementation Plan for a South Sound POF Triangle Service. Figure ES-1 shows the Triangle route's design and the close proximity of the Vashon and Southworth terminals.

Figure ES-1
South Sound POF Triangle Service Route Option



Source: Washington State Ferries, Berk & Associates, 2004

To implement POF service on the South Sound Triangle, approximately \$1.2 million in vessel start-up costs and \$1.8 million in terminal improvements will be required. These investments are sufficient to support initial operations with service provided by a single vessel operating in two 4-hour periods, to meet morning and evening peak demand.

With flexibility in operating patterns, and split shifts instituted to manage labor costs, a service plan for the South Sound Triangle would not have an adverse impact on WSF finances relative to the current budget for Seattle-Vashon POF service. Rather, the net financial impact to WSF would be positive. For 2007 and 2008, the initial two years of operations, costs of providing service are projected to be lower than the amount budgeted for the existing 16-hour POF Seattle-Vashon service. From 2009 onward, the cost of providing the Triangle service is projected to be greater, but so too are revenues, which are enhanced through higher ridership and higher fare collections.

Public-Private Option for Seattle-South Kitsap Service

Plans are underway to implement privately-operated direct Seattle-South Kitsap POF service under the auspices of Kitsap Transit. An estimated 83% of ridership on this route will come from existing and future WSF riders.

Financial Impacts on WSF. The financial impacts on WSF will depend on the fleet size and levels of service offered by a public-private operator. The more service the operator puts on the water, the greater the negative financial impact to WSF, as riders are increasingly drawn to the route from WSF's routes, particularly the Seattle-Vashon POF route. WSF's farebox recovery rates likewise decline as the private operator adds service. With one-boat service, the total annual financial impact to WSF is a \$456,351 loss, and cost recovery declines for Seattle-Vashon POF service from 48% to 32%. With a five-boat service, the annual financial impact to WSF is estimated to be a \$1.6 million loss and cost

recovery on Seattle-Vashon drops to 17%. These percentages assume two 4-hour shifts for WSF. In comparison, in FY 2004, operating with two 8-hour shifts the route's cost recovery rate was 28%. As these metrics suggest, the viability of WSF's Seattle-Vashon POF route could be called into question given such reductions in ridership and cost recovery performance.

A key question for WSF is whether a scenario that combines a public-private operation serving South Kitsap with a scaled back Vashon service offers a more cost-effective solution in the South Sound. Table ES-3 presents a comparison of this scenario with the WSF POF Triangle option.

Table ES-3
Comparison of WSF South Sound POF Scenarios
with and without Seattle-South Kitsap POF Service

Implement WSF South Sound Triangle POF Service		South Kitsap Service Provided by Non-WSF Operator, Modify WSF Vashon POF Service
Service Characteristics		
Operations	One 8-hour split shift	One 8-hour split shift
Vessels in service	One 350-passenger vessel	One 149-passenger vessel
WSF Capital Investment in 2005-7 Biennium		
Description	Deploy Snohomish, Chinook; improve Southworth and Vashon terminals	Replace Skagit and Kalama with two 149-passenger vessels
Capital to restart vessels	(\$1,200,000)	-
Capital to purchase new vessels	-	(\$10,000,000)
Net proceeds from sale of POFF	-	\$6,920,000
Capital to improve terminals	(\$1,800,000)	-
Total capital required	(\$3,000,000)	(\$3,080,000)
WSF Finances for 2007-9 Biennium		
Ridership		
Total annual ridership	333,623	85,586
Number of 4-hour peak sailings	2	2
WSF Operating Finances for Biennium		
One-way fare (commuter rate)	\$3.80	\$3.28
Fare revenue	\$2,536,000	\$650,000
Operating costs	(\$3,525,000)	(\$2,044,000)
WSF operating surplus/(shortfall)	(\$989,000)	(\$1,394,000)
Revenue loss from WSF transfers	(\$90,000)	(\$456,000)
Total WSF surplus/(shortfall)	(\$1,079,000)	(\$1,850,000)
Assumptions		
- Figures are in 2004 dollars		
- Net proceeds from sale of Chinook and Snohomish are based on an assumed \$4M per vessel purchase price less sales costs assumed to be 10% and \$1M in capital costs to prepare for sale.		
- Revenue loss is based on a public-private one-boat operation serving South Kitsap-Seattle additional service would result in greater number of transfers and higher revenue losses		
- Estimates for current service configuration assume continuation of current fares. Fares for expanded/enhanced service are assumed to be \$1.00 more per round trip.		

Source: Washington State Ferries, Berk & Associates, 2004

Key findings from this comparative route analysis are:

- Changing to a 149-passenger vessel and operating with split shifts would result in lower operating costs for WSF, a savings of approximately \$1.5 million per biennium.
- There is virtually no difference in capital costs for WSF between the two scenarios.
- With the current fare structure and lost ridership there would be a loss in fare revenue on the Seattle-Vashon POF service of approximately \$1.9 million per biennium.
- For both the POF Triangle operation and the Non-WSF South Kitsap scenario there will be riders switching from existing WSF routes to the POF service. For the Triangle route, approximately \$90,000 of fare revenue would be simply shifted from other WSF routes to the POF service. In the Non-WSF scenario, approximately \$450,000 is expected to be shifted from WSF routes to the public-private operator with a one-boat operation. As the Non-WSF operation grows, the revenue shift would increase.
- The net effect of a public-private operation in the South Kitsap market is that subsidy requirements for the Seattle-Vashon POF service would be immediately higher. Subsidy requirements would likely increase over time, particularly with any increase in service by the Non-WSF operator.

Federal Funding Opportunities for POF Capital Needs

Over the past six-year authorization period of TEA-21, the federal authorizing legislation for transportation funding, WSF received nearly \$100 million in federal funding, or approximately 20% of its capital program. Annual earmarks, direct Congressional requests considered on a competitive basis, are one of the funding sources that WSF has relied upon for vessel and terminal improvements. There is a limited amount of money available nationally through the earmarking process: the Ferry Boat Discretionary (FBD) Fund distributes about \$18 million per year in discretionary funds. WSF has historically done well in securing funding through this competitive process. However, the agency now finds itself in competition with Kitsap Transit and potentially other agencies for funding from the same source. For federal FY 2005, WSF requested \$25.8 million in earmarks, but only received \$750,000. In contrast, Kitsap Transit received \$1.75 million of its \$6.0 million FBD funding request.

Kitsap Transit has an ambitious federal funding plan for its POF program, including plans to request \$2.0 million in federal FY 2006 and \$12.0 million in federal FY 2007. There are many factors that influence the federal discretionary grant programs. Geographic equity is one; there is a desire to distribute the money to worthy projects in a variety of states and agencies. Therefore, agencies within each state can be competing for the same limited pot of funding. If Kitsap Transit or other agencies continue to receive funding from the discretionary accounts, WSF's capital program and schedule will be adversely affected.

Conclusion: Vision, Ten-Year Passenger Strategy and Implementation Plan

This analysis has assessed WSF's operating and financial situation and challenges, existing and forecasted passenger capacity on its passenger-vehicle boats, ridership demand for potential new routes, and vessel and terminal improvement costs associated with an enhanced POF program. An important finding of the analysis is that WSF has significant passenger-carrying capacity on its Central Puget Sound passenger-vehicle ferries, and with a few exceptions will continue to have excess capacity through 2015, even in the westbound 4-hour P.M. peak period and in the 1-hour "peak of the peak" commute period. Until WSF's passenger-vehicle and terminal capacities are reached, and with relatively low marginal costs of carrying passengers (e.g. some terminal staff for overhead loading and fare collection), the most efficient and cost-effective means of moving passengers across Puget Sound is via WSF's large passenger-vehicle boats.

Based on WSF's strategic and operational situation and the range of options for moving people across Puget Sound, including multimodal transportation options, this report suggests that an optimal ten-year passenger strategy for WSF will be based on the following four guiding principles:

1. Cost-effectively utilize WSF's existing assets and passenger-carrying capacity, including passenger-vehicle vessels and terminals.
2. Leverage the region's multimodal transportation infrastructure and investments.
3. Mitigate bottlenecks and chokepoints in WSF's system, to increase overall network efficiency.
4. Be operationally and financially sustainable, to enable ferry riders and communities to make long-term employment and location decisions.

The Vision and Strategy which best meets these objectives is for WSF to:

- A. Continue to serve the Clinton market through the Clinton-Mukilteo passenger-vehicle route, with connecting multimodal service to Seattle via Sounder commuter rail service.
- B. Continue to serve the North Kitsap market through the Seattle-Bainbridge and Edmonds-Kingston routes, with connecting service to Seattle via the Sounder at Edmonds. Respect the service plan and operations of Kitsap Transit and its private operator, which have begun direct Seattle-Kingston POF service, but do not invest state resources in this service.
- C. Develop a South Sound POF Triangle route to serve WSF's existing markets at Vashon and Southworth. Consider this initiative as a potential transition strategy to evolve toward Seattle-Southworth passenger-vehicle ferry service, an option being studied in WSF's Long-Range Planning process. Implementation of a POF Triangle route will require WSF to:
 - Make improvements to the Chinook and Snohomish necessary to redeploy them.
 - Proceed with terminal improvements to begin the service as expeditiously as possible.
 - Operate in two 4-hour split shifts to accommodate two peak period trips and keep operating costs at or below the current Seattle-Vashon service.
 - Increase fares on the route by \$1.00 per round trip.
- D. Recognize and address the economics of sustainable POF operations by working with WSF's fleet unions to implement split shifts or part-time schedules and other work rule changes to allow WSF to match service hours to peak period ridership demand.
- E. Develop a reliable and sustainable POF service plan, including ongoing funding, that will allow WSF customers to make employment and housing choices based on predictable WSF service.

If Seattle-South Kitsap POF service is implemented by a public-private provider, WSF's South Sound POF Triangle route would not be feasible, and WSF would need to restructure its existing Seattle-Vashon POF service to reflect reduced ridership and cost recovery on the route. Under these conditions, Seattle-Vashon POF options for WSF would include:

- Continuing service after investing in more suitable vessels to replace the Skagit and Kalama, utilizing a smaller (149-passenger) vessel to improve the economics of the service.
- Leaving the POF business, limiting WSF service from Seattle to the Vashon market to the Fauntleroy-Vashon passenger-vehicle route.
- Allowing the Vashon market to be served by a new public sector operator, such as King County. At the direction of the King County Council, the County is currently engaged in a *Waterborne Transit Policy Study* to assess under what conditions it may be appropriate for King County to provide Seattle-Vashon POF service. This study, which will be completed in 2005, is consistent with earlier legislative requests [HB 2474, Section 223(6)] to study the potential for private or public partners to provide POF service to Puget Sound communities.

Near-Term Implementation Plan for the 2005-07 Biennium

In the 2005-07 biennium approximately \$3.0 million in capital funding will be required to implement a South Sound POF Triangle route: \$1.2 million for Chinook and Snohomish vessel start-up costs and \$1.8 million for Southworth and Vashon terminal improvements. These investments are sufficient to support initial POF operations with service provided by a single vessel operating in two 4-hour periods, to serve morning and evening peak demand.

Required terminal improvements are:

Southworth: Modify existing wingwalls to vehicle slips and construct a mooring dolphin. (Cost estimate: \$1 million)

Vashon: Upgrade POF tie-up by adding a raised landing platform on the existing float and constructing a mooring dolphin and fender to accommodate the larger 350-passenger vessels. (Cost estimate: \$800,000)

Additional Proviso Sections

Non-Operating Revenue-Generating Initiatives. WSF is pursuing a variety of opportunities to generate revenues through concession sales at its terminals. Attachment F summarizes these plans by terminal, including terminals in downtown Seattle, Anacortes, Bainbridge Island, Clinton, Edmonds, Southworth and Sidney, B.C.

San Juan Island Fare Equity. The proviso's request for "a more equitable fare structure for the San Juan Islands, particularly for island residents" was brought to WSF's long-standing Tariff Policy Committee for discussion and recommendations. The Committee recommended that WSF maintain the current fare structure in the San Juan Islands at this time, given the Committee's perspective that the basis for these fares is consistent with overall Ferry System policies and has been refined to reflect the unique nature of the Islands. The Committee agreed to review the possibility of increasing the spread between cash and frequent user fares in the next tariff cycle, expected to be in 2005. Analysis of this issue is contained in a stand-alone Appendix to this report: *San Juan Island Fare Equity Assessment*.